



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

September 16, 2013

MEMORANDUM

To: Representative Riemer

From: Marc E. Shovers, Managing Attorney, (608) 266-0129

Subject: Technical Memorandum to **2013 AB 334** (LRB-2852/1) **by DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

August 28, 2013

TO: Marc Shovers
Legislative Reference Bureau

FROM: Mike Wagner
Department of Revenue

SUBJECT: Technical Memorandum on Assembly Bill 334: Relating to Restoring Indexing Provisions to the Homestead Tax Credit

The Department has the following concerns related to the bill:

The language as drafted retroactively changes the homestead credit formula factors for calendar years 2010, 2011, and 2012. The homestead credit schedules and instructions have been finalized for these years, and claims have already been filed. The bill analysis suggests that retroactive changes are not consistent with the intent of the bill, so it is suggested the bill language be replaced with the following amendments to sec. 71.54 (1) (f) (intro.) and (g) (intro.), (2) (b) 3. and 4., and (2m):

71.54 (1) (f) (intro.) ~~2001 to 2011~~ 2010. Subject to sub. (2m), the The amount of any claim filed in 2001 to ~~2011~~ 2010 and based on property taxes accrued or rent constituting property taxes accrued during the previous year is limited as follows:

(g) (intro.) ~~2012~~ 2011 and thereafter. The Subject to sub. (2m), the amount of any claim filed in ~~2012~~ 2011 and thereafter and based on property taxes accrued or rent constituting property taxes accrued during the previous year is limited as follows:

(2) (b) 3. Subject to sub. (2m), in In calendar years 1990 to ~~2010~~ 2009, \$1,450.

4. ~~In~~ Subject to sub. (2m), in calendar years ~~2011~~ 2010 or any subsequent calendar year, \$1,460.

(2m) INDEXING FOR INFLATION; ~~2010~~ 2014 AND THEREAFTER. (a) For calendar years beginning after December 31, 2009, and before January 1, ~~2011~~ 2013, the dollar amounts of the threshold income under sub. (1) (f) (g) 1. and 2., the maximum household income under sub. (1) (f) (g) 3. and the maximum property taxes under sub. (2) (b) ~~3.~~ 4. shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the 12-month average of the U.S. consumer price index for the month of August of the

year before the previous year through the month of July of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the 12-month average of the U.S. consumer price index for August 2007 through July 2008, as determined by the federal department of labor, except that the adjustment may occur only if the percentage is a positive number. Each amount that is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the next higher multiple of \$10. The department of revenue shall annually adjust the changes in dollar amounts required under this paragraph and incorporate the changes into the income tax forms and instructions.

(b) The department of revenue shall adjust the slope under sub. (1) ~~(f)~~ (g) 2. such that, as a claimant's income increases from the threshold income as calculated under par. (a), to an amount that exceeds the maximum household income as calculated under par. (a), the credit that may be claimed is reduced to \$0 and the department of revenue shall incorporate the changes into the income tax forms and instructions.

This bill first applies indexing to calendar years beginning after December 31, 2012. The 2013 homestead credit schedules and instructions will have to go to the printer within a few weeks. By the time this bill is enacted, it will be necessary to reprint the 2013 homestead credit schedules and instructions at a cost of approximately \$30,000.

If you have any questions regarding this technical memorandum, please contact Brad Caruth at (608) 261-8984 or bradley.caruth@revenue.wi.gov.

cc: Representative Riemer